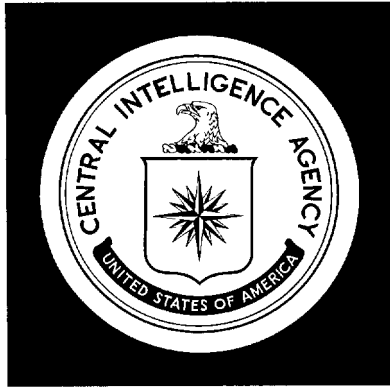


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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

State Dept. review completed

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## Vietnam: The Fighting Begins

The pace of military activity quickened this week, and there are signs that heavier fighting may develop soon.

In the northern provinces, the Communists shelled the large allied base at Da Nang and carried out a sharp ground attack against an artillery base in Quang Nam Province. In Military Region 2, enemy units shelled or probed allied positions at or near Pleiku, An Khe, Phu Cat, and Nha Trang. The attacks have largely been the work of small artillery and sapper forces. Casualties and damages have been light so far.

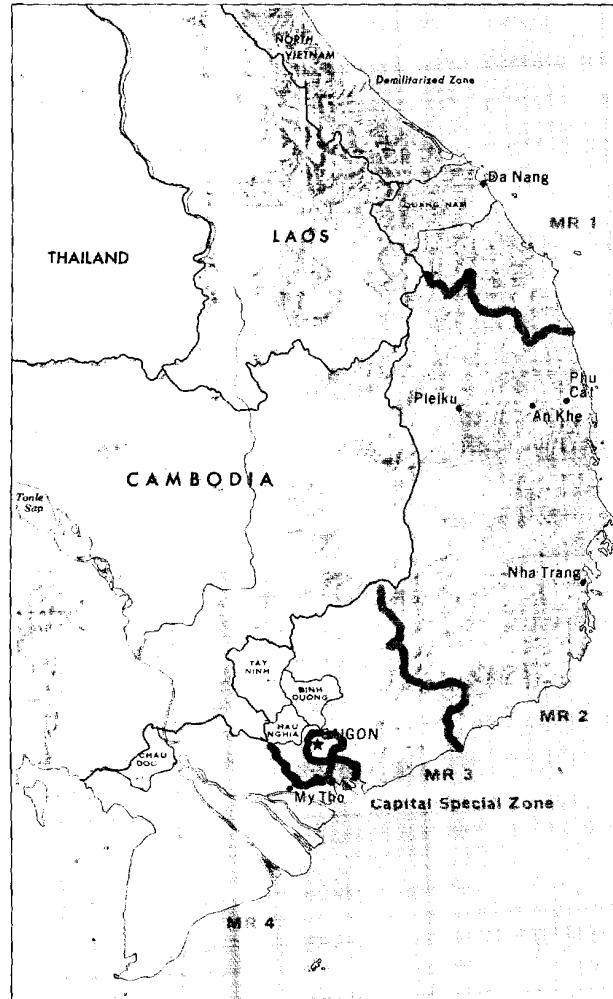
Heavier action seems imminent in the central highlands. Farther north, in Military Region 1,

Communist preparations for Tet attacks against selected targets in Quang Nam are under way.

Near Saigon, small reconnaissance, sapper, and artillery elements from each of the three main COSVN divisions now in Cambodia—the 5th, 7th and 9th—are operating inside South Vietnam in Tay Ninh, Binh Duong, and Hau Nghia provinces.

increased logistic operations in the area, as reflected in the recent discovery of several large food caches, together with the rising number of small-unit contacts, strongly suggest that at least some of these elements are operating within the region. There still is no firm indication, however, that the three major divisions themselves are preparing to move back into South Vietnam. South Vietnamese military commanders still tend to discount such a main-force threat, and they feel confident that government forces are sufficient to handle any likely attack.

Farther south, some additional combat elements have reportedly infiltrated into the delta area from Cambodia. The move may have freed



several Viet Cong units to move closer to My Tho city, identified by some sources as a target for the dry-season campaign. South Vietnamese commanders in the area are also concerned about the possibility that the Communists may try to move elements of their Phuoc Long Front from Cambodia to Chau Doc Province to tie up South Vietnamese units there. Allied forces throughout the region have been put on alert.

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## Chile Moves on Debt Renegotiation

Chile has asked its major creditors for a moratorium until 31 December 1974 on \$998 million in debt service payments due between 9 November 1971 and that date. This would be followed by a ten-year deferred payment schedule. Santiago also requested that debts contracted after Allende's inauguration and those owed to other Latin American countries be excluded from renegotiation.

The latter request was generally opposed because such exclusion would involve a discriminatory "political distinction" between creditors. Representatives of the US, Canada, the UK, West Germany, Italy, the Netherlands, Japan, Belgium, Denmark, Spain, and Switzerland generally supported the French suggestion that only a one-year moratorium be granted because of the lack of longer range forecasts on Chile's balance of payments. US attempts to link the copper compensation issue with debt renegotiation received strongest support from Germany, Canada, and the Netherlands but were opposed by France and Spain. Technical discussions on the amounts due for repayment, the portion to be rescheduled, and new debt terms will begin next week.

Chile's foreign exchange crunch derives both from a shortfall in export receipts and from inflated imports. Lower world prices and production difficulties after the government take-over of the copper mines brought a 20-percent drop in copper export earnings in 1971. At the same time, import requirements rose as a result of government policies that produced a consumer spending spree. Imports of industrial consumer goods increased and an even greater increase occurred in food imports as land reform policies disrupted food output. Even so, shortages of food and manufactured goods were becoming more apparent by late 1971. The worsening political and economic atmosphere produced a reversal in capital flows from a large net surplus to a \$100-million deficit, despite the cutoff in US copper company remittances abroad. By late 1971, net foreign reserves had fallen to \$45

million from a record high of \$378 million when Allende came to power.

Chile's ability to import this year will depend most heavily on its ability to attract new foreign capital. Total net direct investment flows can be expected to be zero at best, and no new US credits of any kind are likely under foreseeable circumstances. On the other hand, Allende probably will pay virtually nothing for the nationalized US companies and as little as possible to the US Government. As long as such moves do not frighten potential Japanese and West European creditors, he has little to lose. The decision to undertake foreign debt renegotiation has subjected Chile's creditworthiness to close world-wide scrutiny, and many potential creditors probably will conclude that Chile's future ability—or willingness—to repay new loans is questionable. Western Europe and Japan will continue to provide some suppliers' credits in an effort to increase their share of the Chilean import market, but these credits are unlikely to exceed \$50 million in 1972.

Soviet and East European aid probably will increase, but it is doubtful that Communist assistance will add to Chile's import capacity by more than \$150 million this year. With Cuba as an example to be avoided, both Allende and the Soviets want to limit the degree of Chilean dependence, and thus far virtually nothing has been drawn on the large project loans and suppliers' credits already provided.

Chile will face serious balance-of-payments difficulties over the next year or so, even if it succeeds in obtaining substantial debt relief in negotiations with its creditors. Imports this year almost certainly will not be significantly above last year's \$1.1 billion level and they may be cut substantially. Stagnant or reduced import capacity will force Allende to choose between placating the Chilean consumer and making badly needed investments in the economy. He cannot do both, and shortfalls on either side will carry political costs.

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### Cyprus: Arms for the Archbishop

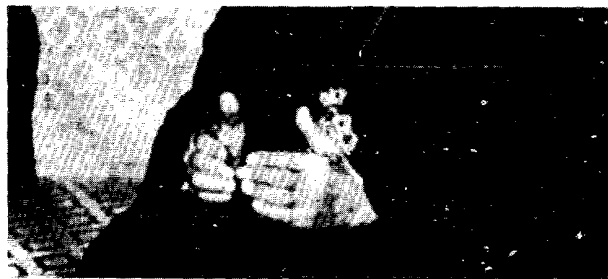
President Makarios has just received a shipment of Czech arms, and he apparently intends to distribute them to a special force he is organizing to counter the supporters of retired Greek General Grivas. The introduction of more weapons into Cyprus at this time increases the danger of armed conflict between the Greek and Turkish Cypriots, and has alarmed both Ankara and Athens.

Makarios began to move actively in mid-January after the general's supporters stole weapons from a National Guard armory. Following that incident, the palace guard was given special training, an additional 130 special constables were added to the Cyprus police, and special police units were selected to guard armories throughout the island. The Czech arms, which arrived late last month, consisted of approximately 2,000 weapons—rifles, machine guns, and mortars—and ammunition. The arms are to be used by a special force being organized by Makarios. The force is to number from 1,000 to 2,000 men.

The Archbishop appears convinced that Grivas intends to begin a terrorist campaign soon. Following the arms delivery, ten Greek Cypriot civilians, believed to be Grivas men, were arrested in the area where the weapons were stored.

The Greek Government has protested the arms shipment and demanded that it be turned over to the National Guard, which Athens maintains is the only authorized Greek Cypriot defense force. Makarios will probably not comply. He is deeply suspicious of the National Guard, which is controlled by mainland Greek officers. Athens suspects that the Makarios special force will be drawn mainly from leftists and Communists. The Greek suspicion probably results from the fact that Makarios is supported by most leftist elements in Cyprus.

Ankara fears that if fighting breaks out within the Greek community, it could easily be turned against Turkish Cypriots. The semi-annual rotation of Turkish troops to Cyprus is scheduled to begin on 23 February.



The heightened tension on the island is a matter of deep concern to the approximately 3,000-man UN force in Cyprus, which has often been forced to intervene in intercommunal incidents. Its ranks depleted by the recent withdrawal of 270 men from the Irish contingent, the UN force views the upcoming rotation of Turkish troops as an especially critical period. The renewal of the force's mandate comes before the Security Council in June, and now seems likely to receive a favorable vote. The force has been running up chronic deficits, however, and troop contributors and major donor states may opt to cut back the force substantially.

So far, Greek-Turkish relations have not suffered as a result of these developments on Cyprus. The Greeks have made clear to Ankara that they had no prior knowledge of the arms delivery. Ankara recently reached an agreement with the UN Secretariat to begin five-party talks on the island. These would involve the Greeks, the Turks, the UN, and the Greek and Turkish Cypriots. The Turkish foreign minister has told the US ambassador in Ankara that he hopes the arms shipment will not harm chances for convening such talks sometime this month.

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### South Asia

#### BHUTTO IN PEKING: LIMITED FRIENDSHIP

President Bhutto came away from his two-day visit to Peking with tepid pledges of Chinese support and with the evident understanding that China is keeping its options open on the Asian subcontinent. The joint communiqué marking the end of the visit contained a plea by President Bhutto that all states refrain from taking precipitous action that would "legitimize Indian aggression," such as the recognition of Bangladesh. The communiqué also records that Premier Chou En-



lai's response was limited to expressing his understanding and respect for Pakistan's position. Bhutto did succeed in coaxing economic gestures out of Peking. The Chinese agreed to convert into grants three previous loans and to defer for 20 years payment on the 1970 loan of \$200 million. An estimated \$63 million of this aid originally committed to projects in East Pakistan is unused and will remain available to Islamabad. Peking also pledged to continue to supply military equipment.

The communiqué reflected Peking's earlier decision not to increase the level of its political support for Pakistan. Both sides condemned Indian aggression, called upon India to withdraw

its troops from occupied territory, and urged New Delhi to fulfill its Geneva Convention obligations for the safety of Pakistani prisoners of war. The language was moderate and did not represent an intensification of earlier Chinese propaganda attacks on India.

The Chinese had appeared reluctant to play host to the Pakistani President and probably accommodated him in order to bolster his political position at home and to maintain some pressure on India to reach a modus vivendi with him. Islamabad was warned long ago that Peking means to improve its relations with India, a goal that probably has assumed greater importance in view of India's new pre-eminence on the subcontinent and Pakistan's fading usefulness to China as a bulwark against increased Soviet influence in the region. Bhutto's visit offers further evidence that Peking is unwilling to let its "special relationship" with Islamabad hinder moves to advance wider Chinese interests in South Asia.

#### MUJIB IN CALCUTTA: TROOPS TO LEAVE

The meeting in Calcutta last weekend between Prime Minister Gandhi and Sheik Mujibur Rahman resulted in an agreement that the withdrawal of Indian troops from Bangladesh would be completed by 25 March, the first anniversary of Pakistan's military crackdown against Bengali separatists. Presumably, the schedule could be changed if the security situation in Bangladesh, where Indian troops assumed a major role in maintaining law and order after the war, were to deteriorate. Indian troop withdrawal would remove a major obstacle to eventual bilateral Pakistani negotiations with Bangladesh and with India, as well as trilateral negotiations on the repatriation of prisoners of war. President Bhutto has claimed publicly that the Bengalis cannot negotiate meaningfully as long as Indian forces remain.

#### Indo-Pakistani Negotiations

Indian officials, meanwhile, are making a determined effort to convince foreign diplomats

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of New Delhi's readiness for talks with Pakistan on all outstanding differences at any time, level, or place without pre-conditions. This recent Indian emphasis on early negotiations is probably designed in part to offset Bhutto's attempts to internationalize the situation. He has called, so far unsuccessfully, for a UN Security Council meeting and the stationing of UN observers along the cease-fire line between India and West Pakistan. New Delhi repeatedly has warned against bringing outside powers or the UN into the controversy.

New Delhi's earlier reported stipulation that as a prelude to negotiations Pakistan must first accept the "reality" of Bangladesh appears to have been at least partially satisfied by Bhutto's recent communication with Mujib on the status of the Biharis in Bangladesh. Bhutto's letter included an offer to open a "dialogue with you or communication on this and other connected matters." Thus far, Mujib has shown little interest in establishing direct contact with leaders in Islamabad, though he has indicated that negotiations are possible under conditions of full equality.

Many Indian officials remain suspicious of Bhutto and doubt his capability to establish himself in Pakistan. At the same time, they profess to recognize his domestic political difficulties, and some Indians reacted favorably to Bhutto's moderate statements on South Asia during his recent visit to Peking. The Indians probably believe that the relatively weak backing Peking gave Bhutto, combined with economic problems and public pressure within Pakistan for the return of some 90,000 prisoners of war, will cause Bhutto to quicken his pace toward the peace table.

These negotiations will be crucial to Bhutto's political future. Although Indian officials deny the existence of pre-conditions, ultimate Indian objectives almost certainly remain unchanged. These include acceptance of the status quo in Kashmir, agreement on an international border along the present cease-fire line with minor rectifications, and an end to Pak-

istan's "policy of confrontation." Bhutto may be willing to negotiate on these issues, but he would face unpredictable political consequences at home if he were too accommodating, particularly regarding Kashmir.

#### Bangladesh: Law and Order

In Bangladesh, the army and police have been moving since 4 February to confiscate weapons from residents of the Bihari enclave of Mirpur and to consolidate the government's control there. Most resistance apparently has ended, but Bengali-Bihari antagonism remains strong and further trouble is still possible. So far, government forces have arrested at least 1,500 men suspected of collaboration with Pakistan and have evacuated about 10,000 women, children, and old



persons to temporary camps in order to facilitate the search for arms within Mirpur.

Government troops, in general, have been maintaining discipline despite suffering casualties of their own, and fighting has eased after the intense initial clashes that broke out at the end of January.

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## Communist China: Moderates Gain

The reappearance last week of long-absent politburo member Hsu Shih-yu provides further evidence that the more moderate elements in China's ruling circles are gaining ground. The political fate of Hsu, a conservative regional military leader, has been in question since he dropped from view in June 1971, shortly after Lin Piao's last public appearance. Although the regime has offered no explanation for Hsu's long absence, his disappearance probably was related to the events that precipitated the Lin Piao affair. Hsu's future almost certainly has been a major issue in the factional wrangling that has complicated the working out of new equations within the ruling elite and the filling of top military vacancies.

Hsu Shih-yu appeared on 1 February at a rally in Nanking, Kiangsu Province. The report of the event accorded Hsu all his previous titles: member of the politburo, commander of the Nanking Military Region, and first secretary of the Kiangsu Provincial Party Committee. The rally also marked the return of the second-ranking party leader in Kiangsu, a strong ally of Hsu, who had been out of the limelight since August.

The confirmation of Hsu's position coincides with increased public activity by two other conservative military veterans in Peking, Hsu Hsiang-chien and Nieh Jung-chen, one-time politburo members who failed to gain re-election at the Ninth Party Congress in 1969. Both men were strongly defended by Premier Chou En-lai against radical attacks during the Cultural Revolution and probably are responsive to Chou now. Their political resurrection, the return of Hsu Shih-yu, and the continued prominence of former marshal Yeh Chien-ying suggests that the military voice in regime councils has not been drastically reduced as a result of the purge of China's four top military leaders last fall though the nature of that voice may have been changed.

The Lin affair appears to have led to an even closer working alliance between Chou En-lai and China's military moderates and to a corresponding reduction in the influence of both civilian and military radicals. A pattern is clearly discernible

in the provinces. Despite the current drive to upgrade civilian authority in local administrations, most moderate military leaders have retained their political positions while several officers with radical backgrounds have been demoted or purged. Moreover, since the turn of the year, the remaining radical civilian members of the politburo have played a noticeably reduced



**Hsu Shih-yu: All Smiles Again**

public role. This reduced pattern of appearances does not necessarily mean the civilian radicals are in serious trouble, but it does appear to be yet another sign that the political sands are shifting away from the left.

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## Indochina

### VERSAILLES RALLY

Over 1,200 delegates of Communist and left-ist anti-war groups from Europe and elsewhere are gathering in Versailles for a conference this weekend to protest US involvement in Indochina. Hoang Quoc Viet, a North Vietnamese labor official, heads the list of keynote speakers, who include delegates of the Viet Cong's Provisional Revolutionary Government and of Laotian and Cambodian front organizations. Some representatives of US families with sons or relatives missing in Indochina are on hand.

The conference is being sponsored by some 50 French coordinating groups with the active behind-the-scenes support of North Vietnam. Its timing suggests that it may be designed to upstage President Nixon's trip to China and to provide a sounding board for Communist activities on the battlefield around the Tet holidays. The conference is part of an intense diplomatic effort by North Vietnam aimed at lining up additional support for Hanoi both within the Communist camp and elsewhere.

Many of the conference sponsors do not expect it to measure up to earlier hopes, and one leading participant claims that disclosure of the US eight-point package has upset their plans. Tensions between French Communist groups have marred preparations for the meeting and may force cancellation of scheduled street demonstrations.

### APPREHENSION IN SAIGON ABOUT PEACE TALK

Anxiety is growing in Saigon over intimations of flexibility in the latest allied peace proposals. Initially, most South Vietnamese reacted favorably because they believed the offers would be rejected by the Communists and because they viewed the proposals primarily as effective propaganda. On further thought, however, some Vietnamese have concluded that the proposals might actually open the door to a peace settlement and a Communist take-over.

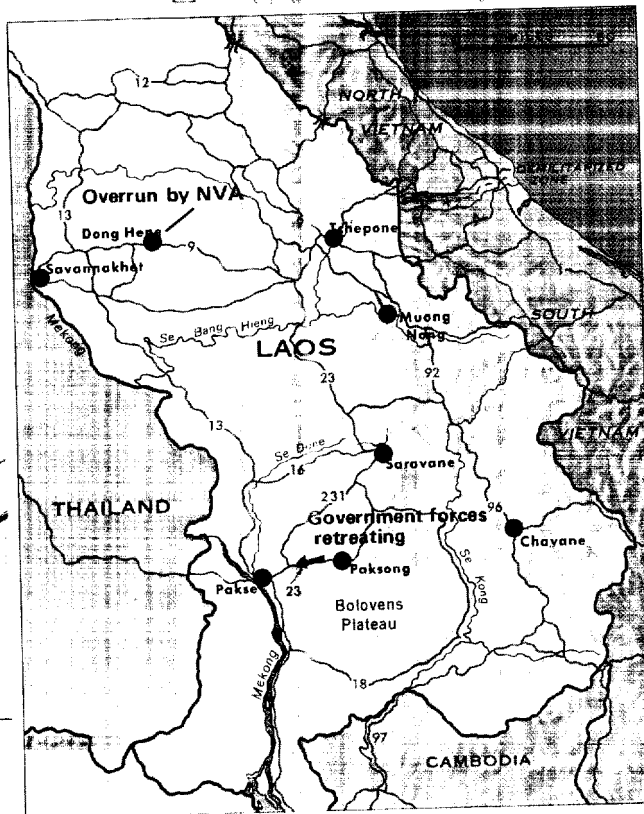
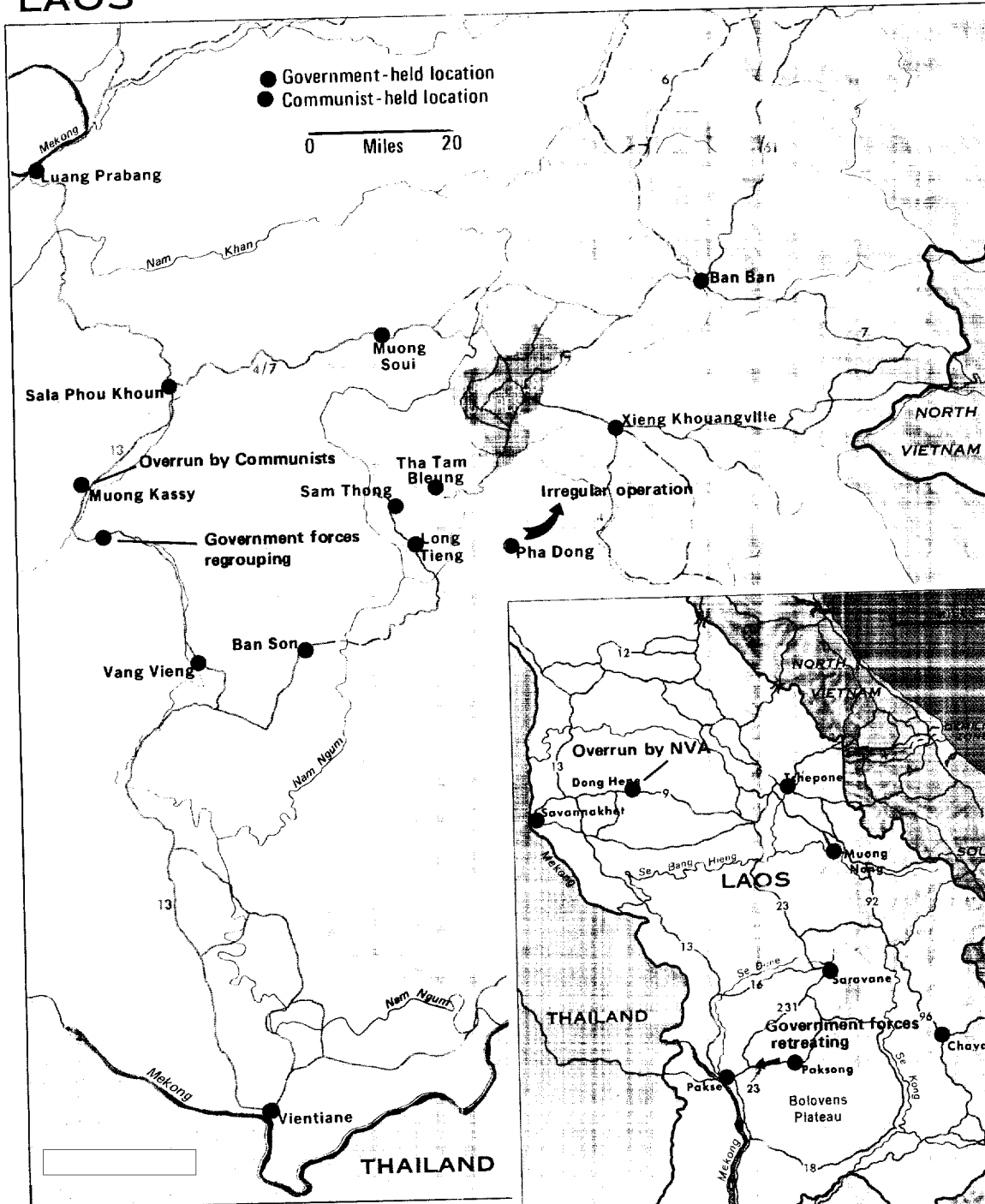
Both pro-government and opposition elements have publicly charged in recent days that the proposals are unconstitutional.

According to the US Embassy in Saigon, there is growing concern that the US might agree to a peace settlement that would sell out South Vietnam's interests. Some prominent figures, including high government officials, have indicated that they consider Secretary of State Rogers' recent remarks about a flexible approach to a political settlement in South Vietnam to be "unwarranted interference" in the country's internal affairs. The government has planted stories critical of the secretary's remarks in the Saigon press. The current anxieties probably are being fed by uncertainties over the expected enemy offensive and the outcome of President Nixon's trip to China.

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# LAOS



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## CALCULATED RISK IN LAOS

While the North Vietnamese are continuing their preparations for another assault on the Long Tieng - Sam Thong complex, Vang Pao has launched a major operation to harass Communist lines of communications. On 5 February, over 5,000 irregulars began moving overland north and east from the Meo base at Pha Dong toward the Plaine des Jarres. Vang Pao clearly believes that at this juncture the best defense is a good offense.

Rather than digging in at Long Tieng for a costly head-to-head struggle with the North Vietnamese, he has chosen to divide his force, leaving a 7,000-man contingent to defend the Long Tieng area and sending the remainder to probe deeply into the Communist rear areas. Vang Pao hopes to recapture the initiative and rekindle the fighting spirit of his forces while forcing the Communists to divert troops from Long Tieng to protect their supply corridors. The operation is risky. The Communists could take advantage of the drawdown from the Long Tieng area to move quickly against the base. Moreover, the current venture could so weaken Vang Pao's offensive force that its future usefulness would be impaired should the operation fail to reduce the pressure on Long Tieng.

## Communists Gain Elsewhere

West of the Long Tieng area, Pathet Lao and "Patriotic Neutralist" forces, probably numbering no more than 1,000 men, pushed several dispirited government battalions from Muong Kassy on 3 February. Government commanders are now attempting to rally their forces for a counteroffensive before the Communists can launch further attacks down Route 13 toward Vang Vieng, an important refugee center.

In south Laos, the government has suffered more setbacks. On 7 February, a North Vietnamese battalion with armor support overran the town of Dong Hene on Route 9. Farther south, two Lao Army battalions abandoned their positions along Route 23 west of the Bolovens Plateau. The morale of Lao Army units in this area is extremely low, and the North Vietnamese should have few problems pushing to the junction of Routes 23 and 231. Occupation of this crossroads would give the Communists control of virtually all roads in the area of the Bolovens Plateau.

## Souphanouvong Prods Souvanna on Talks

With his troops on the move, Lao Communist leader Souphanouvong made a bid to resume a dialogue with the government on 24 January. His message refers to earlier Communist demands and does not signal any fundamental change in the Communist negotiating position. It omits, however, any specific call for a US bombing halt in Laos, indicating that it was meant to be somewhat more acceptable to Souvanna, who has long insisted that he could not agree to such a halt as a pre-condition to negotiations.

The message reiterates the long-standing Communist formulation that the Lao war must be settled in accordance with the 1962 Geneva Accords and the "realities" of the current situation. It promises that if Souvanna adopts an "equivalent attitude," the Communists' special envoy would return to Vientiane after a six-month absence to "continue our contacts."

The Communists may want to begin talking with Souvanna again to probe for some give in his position. As in the past, the Communists also are probably interested in projecting a sense of their own reasonableness at the very time that they are pressing hard militarily.

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### PEACE TREMORS IN CAMBODIA

The spate of rumors circulating recently in Phnom Penh that the North Vietnamese had proposed a settlement to the Cambodian conflict have been put to rest—if only for the moment. Both Phnom Penh and Hanoi issued official denials that they were attempting to arrange a separate peace. Even Prime Minister Lon Nol's brother, Lon Non, whose contacts with the Soviet Embassy fed the rumor mill, dismissed the stories as untrue. The rumors were embarrassing to Hanoi, which has been claiming it stands four-square behind Sihanouk's exile government and has pushed the line that the Indochinese people must settle the war in each country on the basis of mutual respect for each other's sovereignty and integrity.

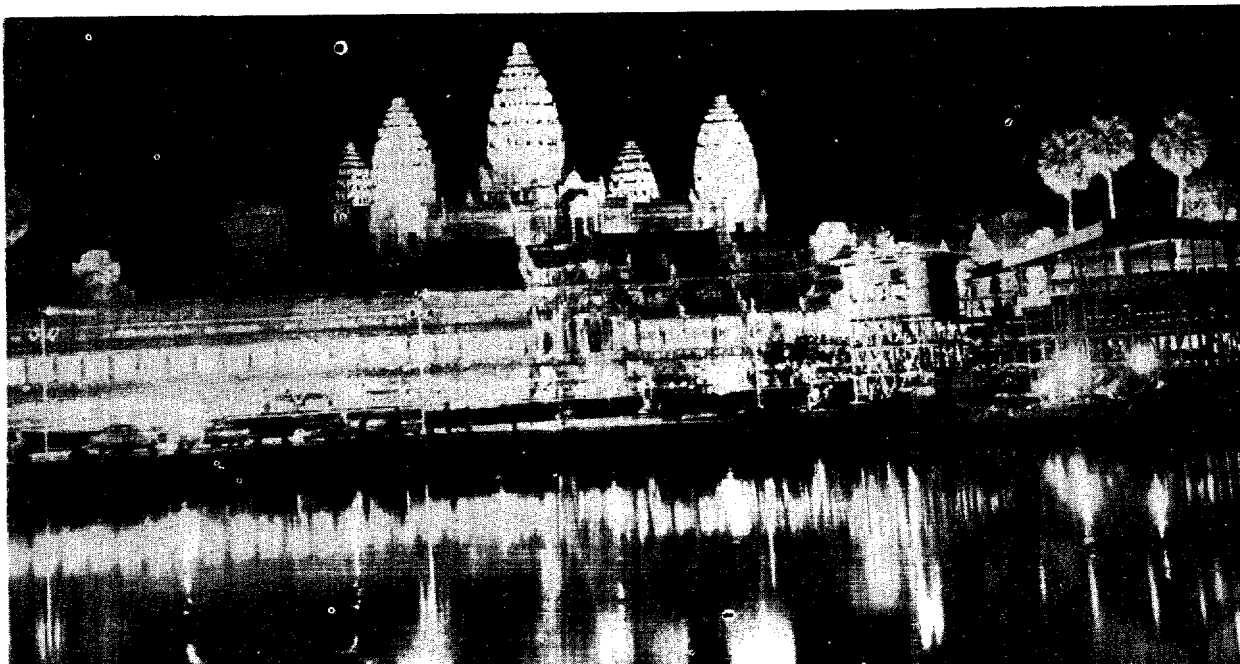
According to the rumors, the North Vietnamese had offered to withdraw from all other parts of Cambodia if they could remain in the northeastern border areas and ship supplies through Kompong Som (Sihanoukville). While at this time, Hanoi might welcome an arrangement that would allow it to concentrate on the struggle in South Vietnam, we have no independent evidence that such a proposal was ever forwarded to the Cambodians. The rumors, nevertheless, did generate peace talk in the capital and a number of public figures and newspapers openly expressed the view that a compromise settlement might be the best Cambodia could hope for.

### Anguish at Angkor

The government, moving cautiously to encircle and isolate Communist forces at Angkor Wat, has assembled eight battalions in the area. The government apparently intends to retake the historic site. Any major fighting in this area would violate self-imposed restraints regarding military activity in the vicinity of Angkor Park and risks possible damage to the monuments.

The operation was initiated in response to an increase in Communist harassment along Route 6 and against the nearby provincial capital of Siem Reap. Apprehension that the Communists were planning some new initiative had been heightened by the sudden halt of restoration work at the ruins. Since occupying the temple complex in mid-1970, the Communists have allowed a Cambodian work force under French direction to continue limited work on the temples. In late January, the Communists arrested a number of the workers and denied further access to the monument grounds. The move rekindled Cambodian fears that the Communists intended to establish Sihanouk's government at Angkor Park. Such fears are probably exaggerated. In addition to the numerous problems associated with creating a convincing governmental facade capable of challenging Phnom Penh's legitimacy, the Communists could well lose considerable face by politicizing Angkor.

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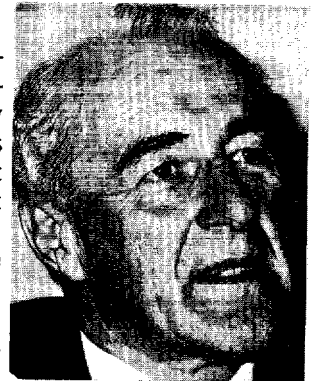
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### New Zealand: New Government

John Marshall, the new prime minister who assumed office on 7 February, is not likely to make any significant changes in government policy. He has retained former prime minister Holyoake in the foreign affairs portfolio, and the able Robert Muldoon, now deputy prime minister, remains minister of finance. Several new and younger faces presumably are intended to give the government a revitalized appearance in the face of what are expected to be close national elections later this year. With elections in mind, Marshall has already announced a greater emphasis on economic problems—inflation, labor unrest, and social welfare—and has created two new portfolios, environment and social welfare.

Marshall is a specialist in economic matters. He has been deputy prime minister and has held a number of cabinet posts during the past eleven years of National Party government. He earned especially high marks in 1970-71 when, as minister for overseas trade, he did much to safeguard New Zealand's trade interests in negotiations on UK entry into the European Community.



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## Eastern Europe: Military Budgets Up

Planned increases in Warsaw Pact defense spending for this year are slightly smaller than those budgeted for 1971. The increases range from a low of three percent for Hungary to six percent for Poland and East Germany. In general, military spending will claim a smaller share of East European budgetary expenditures than last year.

The increases planned for 1972 are a good deal smaller than increases in the late 1960s. This may reflect, in part, the cyclical nature of defense expenditures. The costs of introducing new military equipment are spread unevenly over a span of years, usually keyed to the five-year economic plans. After very large increases in defense spending in the late 1960s, the East Europeans should be able to "coast" for a few years, barring a breakthrough in Soviet weaponry that could be passed along. In the wake of popular unrest, such as erupted in Poland in 1970-71, and the pressure from the populace for more and better consumer goods, the slight easing of the growth of defense expenditures is probably welcome to governments and populace alike.

Yugoslavia and Albania are not members of the Warsaw Pact and their defense spending levels do not necessarily follow the trend of the pact countries. The relatively large 26 percent increase planned by Belgrade reflects a glaring need to replace outdated equipment. Modernization plans may have been stimulated by real or imagined threats of Soviet military intervention in Yugoslavia and the consequent desire to maintain a high level of military preparedness. The portion of the total budget accounted for by defense spending is substantially larger in Yugoslavia than in other East European countries. Belgrade's federal budget actually accounts for little more than half of total government expenditures and does not include investments.

The general trend of defense expenditures in Eastern Europe is believed to be indicated in published military budgets, although these are not comprehensive statements of all military-related expenditures. The major categories included in the defense budgets are payments to military personnel, procurement costs of equipment and supplies, and maintenance costs for equipment

Eastern Europe: Budgeted Military Expenditures (in local currency)

Country (currency)	1971 Planned (in millions)	1972 Planned (in millions)	1971 Percentage Change From 1970	1972 Percentage Change From 1971	Military Expenditures as Percentage of Total Budget	
					1971	1972
Albania (leks)	508	558	+67.1	+9.8	9.1	8.7
Bulgaria (leva)	366	NA	+13.0	NA	6.4	NA
Czechoslovakia (crowns)	c. 15,030	15,920	+5.9	+5.9	NA	8.4
East Germany (DM)	7,200	7,625	+6.7	+5.9	8.4	8.2
Hungary (forints)	9,440	9,715	+6.1	+2.9	4.8	4.5
Poland (zlotys)	37,700	39,861	+6.8	+5.7	11.5	9.8
Romania (lei)	7,495	7,845	+6.3	+4.7	5.4	5.2
Yugoslavia (dinars)	8,838	11,180	+11.8	+26.5	48.3	46.1

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and buildings. Expenditures for research and development, which in any case are not a major component of military spending in Eastern Europe, probably are hidden elsewhere in the budget. [REDACTED]

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## EC-US Trade Accord Reached

In the third round of the trade talks initiated last December as an adjunct to the Smithsonian currency arrangements, US and EC negotiators late last week agreed on short-term concessions to the US and a longer term program of international trade negotiations. The concessions, along with those being negotiated with Japan and Canada, are considered part of an understanding to increase the price of gold from \$35 to \$38 an ounce.

The concessions are a slight improvement over the community's initial offers, but the difficulty in reaching them generally reflects the problems the EC still has in reconciling the varying interests of its six members. Some of the US demands—that the EC hold the line on community grain prices and safeguard US interests in the upcoming negotiations between the EC and the EFTA countries not joining the community as full members—were regarded by the community as “interference” in sensitive internal matters.

The EC did agree to increase its grain stockpiles and to use restraint in subsidizing grain exports. Some improvement was also gained for US exports of citrus fruits. It was agreed that talks could be held if a pending community tobacco tax had an adverse effect on US exports. Some of these concessions resulted from the council's “sweetening” of the commission's negotiating mandate following the second round of EC-US talks.

Meager as the community concessions are, Paris held up its approval of the agreement in order to register its strong disapproval of the

commission's failure to exact reciprocal concessions from the US, as it had been instructed to do by the council. The French will use their claim that the commission exceeded its power in these negotiations as justification for keeping a tighter rein on it in future trade negotiations, particularly with the US.

The long-term aspect of the agreement consists of a joint declaration on a 1972-73 schedule for trade negotiations. This is likely to become the most important outcome of the talks. Canada, Japan, and others are expected to associate themselves with the joint declaration. It commits the US and the community—“subject to such internal authorization as may be required”—to make an effort in 1972 under the auspices of the General Agreement on Tariffs and Trade to settle specific trade problems both in industry and agriculture.

The groundwork will also be laid in 1972 for further, more comprehensive trade talks that will begin in 1973. These international talks, the first such talks since the Kennedy Round ended in 1967, will be held under GATT auspices and will probably emphasize non-tariff barriers. Much preparatory work will be necessary to reach agreement on specific approaches to the 1973 negotiations.

Current GATT work may be significantly advanced by the 1972 talks. GATT's Committee on Trade in Industrial Products is already making progress on non-tariff barriers, and agreements could be reached this year by the working groups on standards and licensing. Such agreements would subsequently be incorporated into an overall package on non-tariff barriers. The Agricultural Committee is deadlocked over priorities, although the EC representative is likely to make additional proposals on specific agricultural trade problems at a meeting later this month. Failure to make some early progress on agricultural issues could jeopardize other negotiations. [REDACTED]

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parliament and the calling of early elections have thus become more likely.

Although consultations have been nearly constant since Prime Minister Colombo resigned in mid-January, the four center-left parties that have governed Italy for the past decade have made no progress toward agreement. The stickiest issues are economic reform and an impending referendum aimed at abrogating the country's divorce law. Agreements on these are prerequisites for a new government.

Giulio Andreotti, Christian Democratic leader in the Chamber of Deputies, has been trying to achieve such agreements. He conceded failure on 10 February, and President Leone may call for a caretaker government that would prepare for elections this spring, one year ahead of schedule.

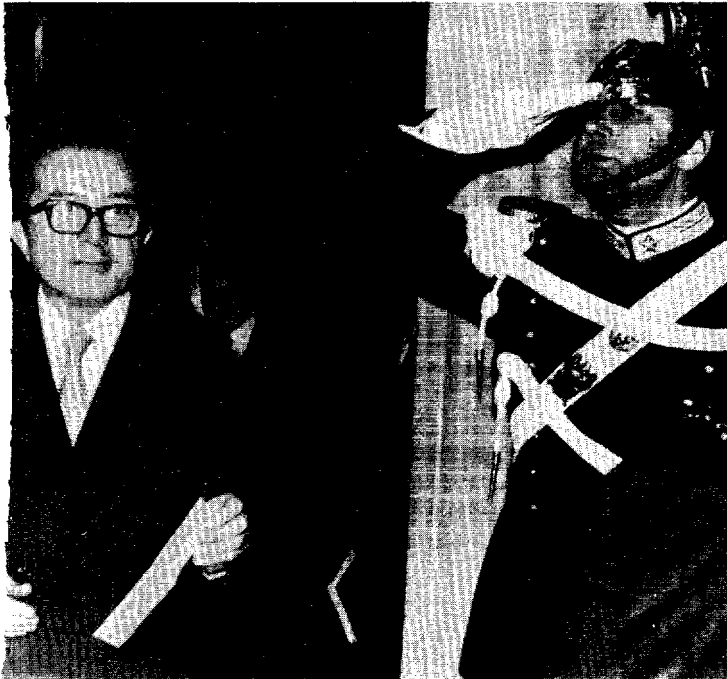
Elections so far in advance are unprecedented in Italy, but they would at least have the advantage of causing the referendum on divorce to be postponed for at least a year. They might also enable the Christian Democrats to avoid a redistricting, required by the 1971 census, for the time being. The redistricting will at least minimally cut into the party's electoral strength when it takes effect.

Center-left political leaders would have an additional reason for early elections, if they judge that the economy will not pick up substantially this year. Such a judgment seems likely as Italy's official economic planning institute has forecast that "in the best of events" national income will rise only 2-2.5 percent this year, compared with the annual average of almost six percent during the 1960s. Considerable spare capacity in industry, sluggish export demand, and a poor psychological climate in the business community all argue against a strong revival of private investment, the weakest element in the economy last year.

## Darkening Prospects in Italy

Political and economic uncertainties underlie the continuing failure of the Italian center-left parties to form a new government. Dissolution of

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Andreotti Leaving Presidential Palace

Government promises to increase investment spending substantially are generally viewed with skepticism. Moreover, despite the dialogue between leaders of management and labor, a more militant union stance may emerge this year. The major labor confederations seem to be preparing a joint position for contract negotiations affecting some four million workers this year. It is likely that the unions will call for higher wages, reduced working hours, and, in some instances, guaranteed salaries. These demands will be hard to meet.

### Poland: Half a Loaf

The 18th Writers' Union Congress on 4-5 February reflected the resourcefulness and tact that has marked relations between Polish authorities and the intellectuals since Edward Gierek assumed power 14 months ago. Although the

writers blasted censorship, they also accepted the realities of limited artistic freedom as defined by government spokesmen at the congress.

Gierek's softer cultural policy has allowed many writers who were banned during the suffocating Gomulka era to appear in print again. Gierek has appointed a new minister of culture and art, Stanislaw Wronski, and has given over-all responsibility for cultural affairs to the most liberal member of the hierarchy, Jozef Tejchma.

Gierek apparently concluded that he has enough problems, particularly in the economy, without antagonizing the intellectuals. Instead, he would like to enlist their help in inspiring optimism in Poland's future. Thus, regime spokesmen have stressed the need for contemporary literary heroes who would encourage citizens to overcome the hardships of present-day life in Poland. The chairman of the Writers' Union echoed this theme at the congress when he said, "Polish readers are still waiting for a grand novel with a full-blooded hero to attack the key problems of Polish society."

Although the party has eased certain restraints, the premise of fundamental party control over expression remains intact. Minister Wronski made this clear at the congress when he said, "We will continue to prevent literary works that are hostile to socialism or challenge our fraternal alliances with socialist countries." Apart from these basic considerations, Wronski said that "the freedom of artists will not be restricted in any way."

Many Polish writers, particularly of the older generation, accept these terms. The grand old man of Polish letters, Antoni Slonimski, and Jerzy Andrzejewski, a highly regarded novelist, have both written articles that suggest it would be a pity to waste this chance for a compromise with the authorities because it is the only chance Polish culture has. Their quiescence may not extend to the younger generation, however. Indeed, the regime's policy of relaxing censorship may simply whet younger appetites for an end to all restraints.

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### Egypt: Letdown in Moscow

President Sadat's hurried trip to Moscow last week did little to bolster his stock. He came away without any tangible sign of new Soviet political or military commitments. Sadat had gone intimating he would press for additional arms to counter "depth for depth" the additional Phantoms he believes Israel is getting. He had declared that he would set the "zero hour" for resuming the battle on his return.

This may have been another case of Sadat's rhetoric getting too far in front of realities. The tone of the post-visit communiqué suggests that the Soviets are still cautioning against precipitate military action. The communiqué reiterated support for UN special envoy Gunnar Jarring, calling for an immediate resumption of his mission. References to the possibility of further arms deliveries were notably vague. The communiqué said that the strengthening of Egypt's defense capacity was "again considered" and that a number of concrete steps in this direction were "outlined."

Although the publicly available information about Sadat's Moscow journey provides Arab observers faint hope for any dramatic increase in Soviet military support to Egypt, the information is imprecise enough to allow Cairo to describe the visit positively. The visit has been termed "an important turning point" in the Middle East im-

passe. Egypt's semi-official newspaper, *al-Ahram*, portrayed the talks as a "great success" even though the results are "not now intended to be made public." Cairo radio, naturally, highlighted the portion of the communiqué stating that Egypt's capacity to repel Israeli aggression would be increased.

The lack of any apparent military or diplomatic breakthrough during Sadat's trip will not please those Egyptians who have been protesting the "no war-no peace" situation. There are now few political or military alternatives that offer much hope of success, and Sadat can only hope to buy time by putting the best face possible on his Moscow visit while awaiting more favorable political or military developments.

Moscow made the most of a visit it probably did not want. The Soviets took the opportunity to reaffirm their support for a political settlement and to take the edge off Sadat's more bellicose statements. Soviet leaders, uncomfortable with the US monopoly on efforts to arrange a settlement, may even have received some satisfaction that Moscow would not be cut out of any future discussions between Cairo and Washington. At least, the US proposal for "proximity" talks was left unmentioned in the Moscow communi-

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## The Pot Simmers in Sudan

The calm that prevailed in Khartoum since the frantic coup week last July has, in the past month, given way to turbulence more in keeping with normal Sudanese politics. President Numayri's position is being shaken by a conflict between the military regime's pro-Egyptian faction and a nationalist clique that favors pragmatic, Sudan-first policies. For the moment, Numayri seems to have appeased the first group by dutifully expounding stock pan-Arab slogans and the second by seeking remedies for chronic economic ills from the West.

There are signs, however, that the standoff between the contending forces may break down. The resignation late last month of the anti-Egyptian national security chief and his replacement by a man more sympathetic to Cairo may very well have been prompted by discord over Sudan's proper role in Arab affairs. Furthermore, the appointment of a number of Arab nationalists to the newly formed political bureau of the Sudan Socialist Union—the country's only legal political organization—seems certain to antagonize conservative army officers. On top of this, the appearance in the past few weeks of Sudan Communist Party leaflets attacking the "blood-thirsty Numayri regime" is a reminder that the Communists are down but not out and that they are ready to exploit feuding between the major factions.

Egyptian lobbying in Khartoum, with an assist from Libya last week, is adding to these strains. The two are urging Numayri to mend Sudan's fences with Moscow and adhere to the Confederation of Arab Republics. Numayri has refused, thus far, to join the confederation or to forget his differences with the Soviets. This has exasperated the Egyptians, and their next move could well be to use the regime's pro-Egyptian faction to put more heat on Numayri.

If Numayri caves in to these pressures, becomes more actively engaged in the struggle against Israel and neglects domestic priorities, he will provoke the nationalist clique. These men, drawing confidence from the popularity of their Sudan-first, pro-West views since the failure of the pro-Communist coup last July, might even be tempted to try their hand at running the country themselves. For the moment, they are dissuaded by Numayri's popularity and his apparent determination to concentrate on domestic problems while paying lip-service to the "battle of destiny" with Israel.

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## Morocco: Hassan Procrastinates

The pace of King Hassan's political consultations quickened early this month, but he still has not divulged the precise nature of the reforms he is contemplating. Following consultations with the National Front and a meeting with leaders of Morocco's principal labor organization, the King summoned a group of deputies on 2 February.

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The National Front, a coalition of left-wing and conservative elements, claims to represent a broad spectrum of Moroccan political opinion. It is somewhat put out that the King has met with other political leaders; the front has been conferring with the King and his emissaries since mid-November. It is pressing for the formation of a transitional government which it would dominate and which would draft the

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constitutional changes. Front leaders, aware that their negotiations with the King badly strain their credibility with young adherents, are highly suspicious of Hassan's motives and are demanding as a minimum the establishment of a broadly based government, curtailment of the King's absolute power, and free parliamentary elections. There are, however, serious divisions between the Front partners with regard to precise objectives and timing. The conservative Istiqlal—the party that won independence from France—is more impatient and less flexible than the leftist National Union of Popular Forces.

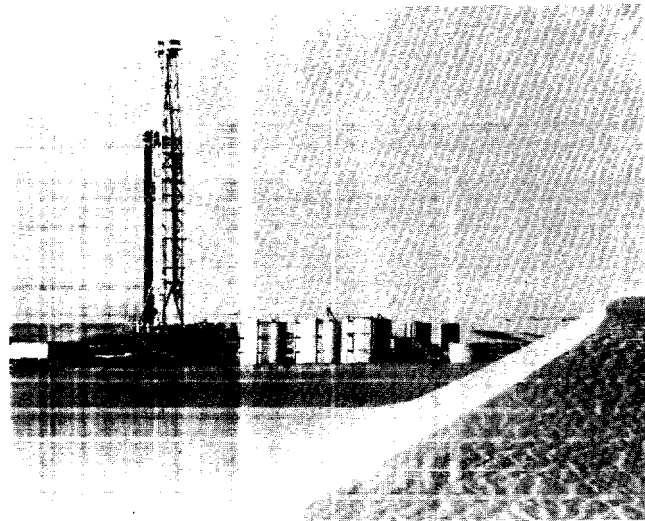
Meanwhile, the King's principal source of power, the military, appears to be wary of a government in which the opposition might play a considerable role. Presumably, the King has also consulted with military leaders. Ironically, General Oufkir, traditional nemesis of the opposition, will probably be assigned the task of keeping the military in line if the King brings the politicians back into the government.

more than 8.5 percent, but its tactics may be modified by its experience in attempting to produce and market oil from the British Petroleum operations that were nationalized recently. Company efforts to block shipment have thus far prevented the Libyan state oil company from marketing the nationalized crude.

Elsewhere, the Saudi Arabian oil minister, ostensibly the spokesman for Persian Gulf oil producers, continues to spar with oil company representatives on the issue of participation in company operations. His authority is somewhat diluted by separate talks under way between Iraq and members of the oil consortium that operates in that country. Furthermore, the Shah of Iran, currently discussing this year's oil production program with Western companies, indicates he prefers to explore participation bilaterally rather than through the Organization of Oil Producing States.

## International Oil

Talks between the oil companies and Libya on increased revenues to compensate for dollar devaluation are growing tougher as negotiators at the ministerial level take over from technicians. The companies have proposed a settlement conforming with the Geneva agreement concluded last month with Persian Gulf producers. The accord increased their revenues by about 8.5 percent. It also contained a provision for renegotiating the price of Persian Gulf oil piped to Mediterranean outlets if a Mediterranean producer achieves a greater increase. Libya wants

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## Ghana: Debt Repudiation

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The new military government has embarked on a risky though relatively balanced economic program. The program's key features are the immediate repudiation of a portion of Ghana's external debts, a bid for long-term relief on the remainder, and a mixed package of benefits for wage earners and consumers which seeks to retain the essentials of austerity.

The ruling National Redemption Council suppressed its initial inclination to kill all austerity policies of the Busia regime and moved only after listening to an array of competent civilian economic specialists. Colonel Acheampong's final decision, announced on 5 February, does not amount to a wholesale abandonment of the conservative economic principles that guided the two preceding governments. The debt statement does, however, break sharply with previous policy toward the large medium-term debts inherited from the Nkrumah era. Both previous governments had failed to obtain long-term relief and had settled for short repayment moratoriums from Western creditors who hold the bulk of the debts. The council has rejected these earlier re-schedulings, including the interest accrued under them, and repudiated outright about a third of the outstanding principal on the grounds that the basic contracts were tainted by illegality or were breached by the contractors. The \$95 million in repudiated debts was initially contracted with four British companies. The remainder of the medium-term obligations are to be honored only if the lenders can demonstrate that the underlying contracts are "valid" and relate to economically viable projects. The statement announced that debts meeting these criteria would be repaid over a fifty-year period that would include a ten-year moratorium.

The council's statement did include a commitment to accept international arbitration of disputes arising from the new policy

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Ghana's medium-term obligations make up only about one third of its external debt, and the council has accepted the remainder, but the Bank of Ghana has been instructed to revise payment of short-term debts to meet its ability to pay.

In a move aimed at solidifying support from middle-class wage earners, the council eliminated a recently imposed tax on wages and reinstituted fringe benefits for civil servants. Price controls on essential food items have been instituted to lift some of the burden from lower paid urban workers. The junta also moved to dampen the inflation of recent weeks. The council reduced Busia's 48-percent devaluation of the country's currency to 20 percent but balanced this by re-imposing strict import controls.

These measures have evoked a favorable response in Accra, but they are likely to be only short-term palliatives. The debt repudiation, domestically the most popular move, seems certain to exacerbate relations with the UK and could severely damage Ghana's credit rating, at least in the short run. The benefits to urban consumers of the currency revaluation and price controls are likely to be quickly offset by higher prices on items covered by import controls. Urban Ghanaians may soon find they are little better off than they were under the Busia government.

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## UN: Mixed Results in Addis Ababa

Meeting in special session at Addis Ababa on the usual African issues, the UN Security Council last week adopted four resolutions; a fifth—pertaining to Rhodesian settlement prospects—was vetoed by London.

The resolution vetoed by the UK urged London to desist from implementing the proposed

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Emperor Haile Selassie Addresses Council in Addis Ababa

settlement with Salisbury and to convene "without delay" a constitutional conference in which black residents would participate. The British had served notice that they could not accept such a proposal, but the majority of the Organization of African Unity drafting group—abetted by Soviet and Chinese desires to provoke a veto—refused to soften the proposed language. An outcome more palatable to London—defeat of the resolution through seven abstentions rather than a veto—was possible, but the two Latin American members of the council, Argentina and Panama, refused to provide the critical votes.

The Argentine refusal was motivated in part by its interest in getting African support for its resolution on South-West Africa. In any event, the resolution, calling for Secretary General Waldheim in consultation with three non-permanent members of the council to initiate contacts with Pretoria, was passed 14-0. China refused to vote. Waldheim this week announced that he hoped to go to South Africa soon, and Prime Minister Vorster has said he will be welcome. The council also adopted a second res-

olution on South-West Africa which reiterated previous UN decisions terming South African occupation of the territory illegal.

No new ground was broken in the debates either on the Portuguese territories or on apartheid in South Africa. A resolution condemning Portuguese activity, was passed 9-0-6, the Western bloc providing the abstentions. A pro forma reiteration of "total opposition" to South African domestic policies in the human rights area also passed. The only surprise in the vote was the UK decision to support the resolution rather than abstain, a consequence of London's desire to balance insofar as possible its other votes during the special session.

Panamanian delegate Boyd used the Addis meeting to take the US task on the canal negotiations issue. He may soon follow this up with a formal request for council consideration of the problem, or he may wait to raise the matter in the General Assembly next fall.

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## Argentina: A Tougher Lanusse

President Lanusse came across much tougher in meetings last week with his top military officers and in subsequent talks with labor representatives. The military, which has been concerned over an alleged drift in Lanusse's policies, is reacting favorably to the tougher line, but labor is talking about the adoption of confrontation tactics.

The Argentines were put on notice that President Lanusse was going to get tough when he flatly rejected the General Confederation of Labor's demand for higher wages and the reinstatement of collective bargaining. Labor leaders told the US Embassy that they were shocked with Lanusse's decision to adhere strictly to the economic program put into effect on 1 January. Early last month Lanusse had indicated that he might be open to some changes in his wage policy, which called for a 15-percent increase in January to be followed by a 10-percent increase in July. In his meeting with the labor leaders, however, he said that any changes would be inflationary and therefore unacceptable. The inflation rate in January was 11.3 percent on a seasonally adjusted basis, considerably higher than the government had expected.

Lanusse warned the labor leaders that retaliatory action from them would be met with the "total force dictated by the circumstances." Despite this warning, the Peronist 62 Organizations, a major power bloc within the General Confederation of Labor, called for a 48-hour general strike in early March. The confederation's executive committee will almost certainly approve this action and will decide whether it is to be an active or passive strike.

In a two-day series of meetings with top officers of the three armed services prior to his discussion with the labor leaders, President Lanusse outlined his tougher line on labor matters and assured his colleagues that he would control the national elections scheduled for March 1973.

Leaks of the President's statements at this meeting are beginning to stir reactions among civilian politicians. While none of them is so naive as to believe that some deal with the military can be avoided, neither will many of them be content to remain docile puppets of the armed forces. Press reports of Lanusse's meetings with his military colleagues—many of them slanted to put the President in the worst light—will doubtless complicate his efforts to move toward elections next March. The President's honeymoon with labor may also have finally run its course. The next two or three months will be increasingly difficult for Lanusse's campaign to get the military out of the direct business of governing without creating a major upheaval.

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## Ecuador: Velasco's Problems Increase

The prospects that President Velasco will serve out his term grow dimmer as pressure increases for him to do something to prevent populist politician Assad Bucaram from campaigning in the June presidential election. Bucaram is anathema to Velasco, the oligarchy, and leaders of the military, although he has some support among junior officers. The government has attempted to prove that Bucaram, who is of Lebanese descent, does not meet the constitutional qualifications for Ecuadorean citizenship. The Supreme Court has asked the President to excuse it from making a decision on the question.

Having lost this easy way out, the President is faced with several choices. He can prohibit Bucaram from campaigning; he can cancel the presidential election and throw the decision into the congress to be elected in June, which would be unlikely to support Bucaram; he can turn the government over to the military either now or when his term of office expires on 31 August.

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Velasco, who was ousted three of the four previous times he held the presidency, would prefer to complete his term and then turn the government over to a military regime. The armed forces, however, believe that such action would place them in the position of overthrowing the popular choice for president—presumably Bucaram. They would like to take over now and cancel the election.

The matter is becoming urgent because Bucaram, whose political strength is based around coastal Guayaquil, is scheduled to visit Quito on 18 February. Military officials fear that he will obtain so much support in that area that any move against him would cause too much public dissatisfaction. The other political groups have been unable to compromise their differences enough to present a strong, unified challenge to Bucaram.

While these domestic problems intensify, the government's relations with the US show no signs of improving. As the tuna move out of Ecuador's claimed 200 miles of territorial waters, actual clashes over fishing rights should stop for now. At the same time, the government has not modified its position, and Velasco is unlikely to compromise on this issue while he is under such intense pressure at home. The armed forces, especially the navy, have backed the President strongly on this issue, and a military regime would probably continue his policy.

Yet another irritant to friendly relations has appeared with the expropriation by the government of land belonging to All-America Cables and Radio, a subsidiary of the International Telephone and Telegraph Corporation. The action comes barely two months after an agreement was reached on payment for other All-America facilities expropriated in 1970. The US Embassy fears that the negotiations on compensation for this land will reopen decisions made in the course of the previous agreement.

In addition, legislation before the US Congress to require a negative US vote on multilateral loans to countries seizing US fishing boats has

caused a public outcry in Ecuador. The Foreign Ministry issued a statement rejecting "any policy of threat or retaliation aimed at restricting the use of natural resources essential to developing nations." Enactment of the proposed legislation would be certain to cause even more problems between the two countries. [REDACTED]

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## Nicaragua: Apathy at the Polls

As the first step in the formation of an interim government to succeed the Somoza administration, Nicaraguans went to the polls on 6 February to elect a constituent assembly. Voting was peaceful, but initial returns gave the government such a heavy lead that public announcements were suspended pending arrangement of an opposition percentage acceptable to both sides. The Conservative Party, humiliated and angry, has charged fraud.

Indifference to the election was general and reflected the feeling that there was really nothing to vote for and that the entire interim government charade, arranged in a pact between Somoza and Conservative leader Aguero, merely provides the President with a means of getting around a constitutional prohibition against his immediate re-election. US Embassy officers estimated that Somoza's Liberal Party had at least a four-to-one edge over the Conservatives, the only opposition party allowed to participate; early returns gave the Liberals a 15-to-1 lead. Nevertheless, the agreement allots 40 of the 100 assembly seats to the Conservatives. The assembly's main duties will be to revise the constitution, elect a three-man executive, and act as a legislature during the interim government. The revisions to the constitution, like the structure of the interim government, have already been agreed on, and the assembly will be presented with a draft for ratification when it convenes on 15 April. One important feature of the new charter will make Somoza eligible to run for president in 1974.

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The members of the interim executive (two Liberals and one Conservative) will be dictated by the parties, and the assembly will merely go through the formality of electing them. As for the legislative function, the Nicaraguan legislature is, and always has been, subservient to the executive. Though there will be a multiple executive until 1974, it will be controlled by Somoza through the majority Liberal Party.

At least three opposition parties were denied legal status and thus barred from participating in the election. Although together they constitute only a small slice of the political pie, they have been bitter and vocal in expressing their disappointment.

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Before the results are officially announced on 27 February, Somoza will probably juggle the figures to shrink the government's lead to believable proportions and preserve Aguero's credibility as an opposition leader. A very poor showing by the Conservatives could prompt them to denounce the pact, but Aguero's sense of defeat would have to be strong indeed to cause him to throw away over two years of certain patronage and participation in government.

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## Venezuela: Business Anxieties

The Caldera government's program of increasing control over foreign-owned firms is seriously undermining the confidence of US businessmen. While only the oil companies have so far felt a real bite in profits and significant interference in day-to-day operations, other investors feel threatened by the rising tide of economic nationalism. Competition among politicians to be more nationalist than others is becoming more fervent as the 1973 election campaign approaches, and the unique popular support for "reining in" foreign

businesses means that the political virtue of such nationalism glosses over the economic risks.

Oil production has declined in the wake of Caldera's nationalist legislation last year. Leftist opposition parties are proposing nationalization of the oil companies, which they say are reducing production in reprisal for the legislation. President Caldera does not endorse nationalization at this time, but he speaks out strongly against the companies and against the decline in production.

The belief is widespread that Creole, a Standard of New Jersey affiliate and the largest and least loved oil company in Venezuela, is Caldera's principal intended victim. Relations between Creole and the government are already poor, and the company stands out in the current controversy as the only one openly defying the newly legislated export quotas. All the companies find the quota principle a dangerous precedent that might be picked up in the Middle East, but most firms are making an effort to work out some compromise. Creole stubbornly insists that it cannot meet government norms because of warm weather and market conditions, whereas Caldera and his advisers are certain that Creole's policy is one of deliberate reprisal. The other companies are also under severe pressure from their home offices to "do something," but all agree that to be "too tough" would lead to expropriation.

In a recent meeting with other US businessmen in Caracas, the US ambassador found deep concern over pending legislation. A major area of concern was a proposed foreign investment code requiring rapid divestment in certain cases and further restrictions on new investment in others. The cumulative effect of recent oil legislation, the denunciation of the trade agreement with the US, and the increasing popularity of economic nationalism have caused rising anxiety among US investors. All noted the ability of even minor parties to push the government to extreme measures against foreign businesses and fear that any intent of Caldera's to be reasonable will dissolve in the political heat.

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## US Excluded from Bogota Meeting

At Venezuelan insistence, the US was not invited to the current meeting of Caribbean nations in Bogota to prepare for their Law of the Sea conference to be held in Santo Domingo in April. Venezuela, which threatened to withdraw from the Bogota meeting if the US was invited, probably will oppose US attendance at the Santo Domingo meeting as well.

The motivation for Venezuela's action probably stems from Foreign Minister Calvani's hope that, with Venezuelan leadership, the Caribbean states can agree on a middle position between that held by the US and the hard-line position of the South American countries that claim full sovereignty over a 200-mile territorial sea. Calvani claims that he will have a better chance to sell a more moderate line to such nations as Peru and Brazil if the US has not been involved in working out the Caribbean position. He is also well aware of the prestige he would gain if he were able to sell a compromise position to the US and the Latin American 200-mile club, and thus produce

a unified Western Hemisphere position for the UN-sponsored Law of the Sea Conference in 1973.

Many of the Caribbean states, including Venezuela, favor a "patrimonial sea" concept to resolve the current confusion and disputes surrounding the territorial waters question. The concept generally envisions a 12-mile territorial sea with the riparian state retaining certain rights of conservation, exploration, and exploitation for distances up to 200 miles. The patrimonial sea and other similar concepts that fall between the views of South American countries favoring a 200-mile limit and the current US negotiating position are beginning to attract support from other countries around the world, particularly those in underdeveloped areas. The General Assembly seabeds committee, charged with making preparations for the 1973 conference, convenes in New York on 28 February and should provide a better gauge of the likelihood of success for these approaches.

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## JAMAICAN ELECTIONS

The general election scheduled for 29 February is shaping up as a very close race. The ruling Jamaica Labor Party, led by Hugh Shearer, holds a slight edge. Barring serious mistakes or the emergence of a controversial election issue, it should be returned to office. The government's election chances have been bolstered by moderate success in reducing crime, primarily through beefed-up police and military patrols. Moreover, unemployment, another persistent problem, has been declining recently and is not likely to be an issue on which Shearer will fall.

The Shearer administration's over-all good record, however, has been marred by hints of scandal and press criticism of corruption in the cabinet. Internal squabbling has also embarrassed the government and may have weakened its position with the public. The opposition, led by Michael Manley, has attempted to capitalize on these deficiencies. The main thrust of its campaign, however, is on the need for a change after more than nine years.

Although both parties have pledged non-violence during the campaign, a few incidents have occurred and others are likely. Jamaican security forces should be able to control the situation. Regardless of the outcome, the country's domestic and foreign policies are unlikely to change significantly.

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